

Message Text

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TAGS: EGEN, NI

SUBJ: FMG PARTICIPATION IN INSURANCE COMPANIES

1. FEDERAL TRADE COMMISSIONER, WENIKE BRIGGS, CALLED PRESS CONFERENCE ON FEBRUARY 16, 1974, TO PUBLICLY ANNOUNCE GOVERNMENT'S DECISION TO ACQUIT 40-49 PERCENT PARTICIPATION IN "ALL VIABLE FOREIGN-OWNED COMPANIES TRANSACTING LIFE AND NON-LIFE INSURANCE BUSINESS IN NIGERIA." NEGOTIATIONS FOR SHARE ACQUISITION WILL BE HANDED BY AD HOC FEDERAL COMMITTEE OF REPRESENTATIVES OF FEDERAL MINISTRIES OF TRADE, FINANCE, ECONOMIC DEVELOPMENT AND OF REPRESENTATIVES OF GOVERNMENT-OWNED NATIONAL INSURANCE CORPORATION OF NIGERIA (NICON). NICON WILL HOLD THE SHARES THUS ACQUIRED BY THE FMG. BRIGGS ALSO ANNOUNCED THAT ONCE GOVERNMENT PARTICIPATION IS ACQUIRED, INSURANCE FIRMS "WILL BE ALLOWED TO OPERATE WITHIN CONTEXT OF SECTION 16 OF NIGERIAN ENTERPRISES PROMOTION (SO-CALLED, INDIGENIZATION) DECREE 1972 AND "THEY WILL NOW BE PERMITTED TO INVEST IN EQUITIES OF ENTERPRISES CLASSIFIED IN SCHEDULE 2 OF THE DECREE."

2. ACCORDING TO INDUSTRY SOURCE, ANNOUNCEMENT COMES AS NO SURPRISE TO ESTABLISHED FOREIGN INSURANCE FIRMS IN NIGERIA (AMONG WHOM ARE US-OWNED AMERICAN INTERNATIONAL LIMITED OFFICIAL USE

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INSURANCE AND BRITISH-AMERICAN INSURANCE). RESIDENT REPS

OF MOST INSURANCE FIRMS EXPECTED FMG TO TAKE STEPS TOWARD GOVERNMENT PARTICIPATION IN 1974, AND RANGE OF 49-49 PERCENT GOVERNMENT EQUITY WILL LEAVE CONTROLLING SHARE TO FOREIGN EQUITY HOLDERS.

3. THERE IS CONCERN ABOUT LEVEL OF COMPENSATION THAT FMG MAY SEEK TO NEGOTIATE FOR ITS PARTICIPATION. HOWEVER IN SIMILAR NEGOTIATIONS FOR PARTICIPATION IN COMMERCIAL BANKS IN 1972-73, FMG IS CONSIDERED TO HAVE BEHAVED REASONABLY AND LEVEL OF COMPENSATION USUALLY CONSIDERED FAIR. INSURANCE FIRMS HOPEFUL THIS PRECEDENT WILL BE FOLLOWED.

4. APPLICATION SECTION 16 OF PROMOTION DECREE TO INSURANCE FIRMS (AFTER FMG ACQUIRES PARTICIPATION) MEANS THAT FOR PURPOSES OF DECREE FIRMS WILL BE CONSIDERED NIGERIAN AND SO ABLE BUY INTO 40 PERCENT EQUITY THAT EXPATRIATE FIRMS ON SCHEDULE 2 REQUIRED TO RESERVE FOR NIGERIANS. THIS IS WELCOME MOVE IN THAT IT OPENS NEW AND PROFITABLE INVESTMENT OPPORTUNITIES BUT FIRMS DOUBT THAT PARTICIPATION NEGOTIATIONS WILL BE COMPLETED IN TIME FOR THEM TO COMPETE FOR NEW SHARE OFFERINGS THAT ARE CURRENTLY BEING MADE IN ANTICIPATION MARCH 31, 1974 DEADLINE FOR COMPLIANCE WITH PROMOTION DECREE.

5. COMMENT: ANNOUNCEMENT OF FMG INTENTION PARTICIPATE AT 40-49 PERCENT LEVEL MAY SERVE TO DETER NEW ENTRANTS INTO INSURANCE FIELD, BUT AUTHORIZATION OPERATE WITHIN SECTION 16, BY OPENING NEW INVESTMENT OPPORTUNITIES, PROVIDES CERTAIN COMPENSATING BENEFITS TO FIRMS ALREADY HERE AND WAS PRESUMABLY INTENDED TO SWEETEN PARTICIPATION PILL.
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